



IN REPLY
REFER TO:

DEFENSE INFORMATION SYSTEMS AGENCY

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Procurement Planning and Policy Branch (PL2)

13 FEB 04

MEMORANDUM FOR PL/DITCO PERSONNEL

SUBJECT: Performance Based Services Acquisitions, Telecommunications Services

Reference: Federal Acquisition Regulation Subpart 37.6, Performance Based Contracting

1. The Department of Defense (DOD) continues to place emphasis on the use of performance based contracting methods when acquiring services. To that end, the DOD has established the following goals for the military departments and defense agencies in the use of Performance Based Services Acquisitions (PBSAs):

FY 2004	25 percent of dollars awarded for services
FY 2005	50 percent of dollars awarded for services

2. To monitor progress towards meeting PBSA goals, agencies must provide the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) (USD(AT&L)) with an annual report on the percentage of services contract dollars awarded, on a fiscal year basis, that are PBSAs.

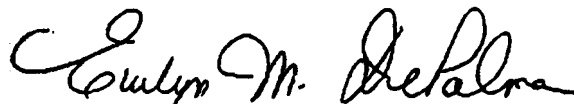
3. PBSA strategies strive to adopt best commercial practices and provide the means to reach world-class commercial suppliers, gain greater access to technological innovations, maximize competition, and obtain the best value to achieve greater savings and efficiencies. A fundamental principle of PBSA is for the Government to express its needs in terms of "what" is required and placing the responsibility for "how" it is accomplished on the contractor. In accordance with Federal Acquisition Regulation section 37.601, performance based contracts:

- a. Describe the requirements in terms of results required rather than the methods of performance of the work;
- b. Use measurable performance standards (i.e., terms of quality, timeliness, quantity, etc.) and quality assurance surveillance plans;
- c. Specify procedures for reductions of fee or for reductions to the price of a fixed-price contract when services are not performed or do not meet contract requirements; and
- d. Include performance incentives where appropriate.

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4. During data collection for the FY 2003 PBSA report to USD(AT&L), questions arose as to whether telecommunications services are PBSAs and should be reported accordingly. To clarify the Agency's position on this issue, telecommunications services requirements submitted by Telecommunications Service Requests (TSRs)/Telecommunications Service Orders (TSOs), and ordered via Communication Services Authorizations (CSAs), are PBSAs and should be reported accordingly in the Defense Contract Action Data System (DCADS). CSAs describe what the Government needs in terms of results required and allow telecommunications service providers the flexibility to use best commercial practices to develop and provide cost effective technical solutions. CSAs establish measurable performance standards in terms of timeliness of service and levels of performance. Additional commercial standards are included in applicable tariffs and price schedules filed with regulatory bodies such as the Federal Communications Commission (FCC) and/or respective state Public Utility Commissions (PUCs) (or foreign government regulatory bodies). All telecommunications services are subject to Government acceptance and, when appropriate, Government inspection and testing to ensure the performance levels described in the CSA are met. Formal quality assurance surveillance plans are not a standard commercial practice for telecommunications services. However, consistent with commercial industry practices, random surveillance monitoring is conducted by the telecommunications service providers, Government end users, designated Government Communications Control Offices/Communications Management Offices, and/or applicable regulatory bodies to ensure performance levels are maintained throughout the life of the service. CSAs, often supported by published tariffs or price schedules, provide for reductions in the contract price when performance levels are not met (e.g., outage credits). Past performance evaluations are routinely accomplished for CSAs and provide contractor performance incentives since past performance information can affect decisions to exercise options or to make future contract awards.

5. DISA will use the DCADS to collect PBSA data for its annual reporting to the USD(AT&L). Therefore, it is important that DD Form 350 (line B1E) input into the DCADS properly identifies all contract actions for all services that are performance based, including those for telecommunications services. With proper reporting of our contract actions for services, I am confident that we will surpass our PBSA goals.



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